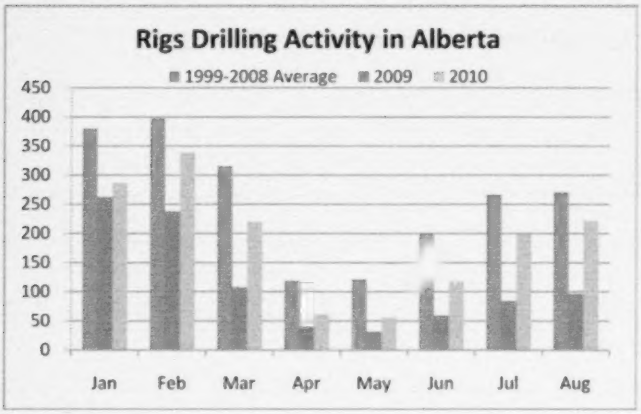
Rigs Drilling

Drilling activity continues to pick up in August…

The average number of rigs drilling in Alberta rose to 222 in August (preliminary estimate), an increase of 11.7% from July. Drilling activity has recovered signficantly from the very depressed levels witnessed last year. On a year-over-year basis, the average number of rigs drilling has more than doubled from August 2009. Similarly, through the first eight months of this year, drilling activity is 63.0% higher compared to the same period in 2009. However, drilling activity has not returned to pre-recession levels, as activity in August this year was still lower than the 1999-2008 average for August of 271 rigs.



Residential Construction Investment

Investment continues to pick up in Q2 2010

Total residential construction investment in Alberta reached $3.4 billion in the second quarter of 2010, an increase of 12.1% from the previous quarter. After reaching a peak of $4.0 billion in the fourth quarter of 2007, residential investment in Alberta declined sharply and reached a low of $2.4 billion in the second quarter of 2009 (peak-to-trough decline of nearly 40%). Since then, residential investment in the province has picked up with four consecutive quarters of growth.

Spending for new residential construction climbed to $2.0 billion, an increase of 25.7% from the first quarter. Meanwhile, renovation spending declined for the first time in a year, down 9.0% in the second quarter of 2010, likely related to the expiration of the Federal Home Renovation tax credit on February 1, 2010.

Canadian Dollar (US¢/C$)	
September 3, 2010	96.05
August 27, 2010	94.82
2010-11 YTD	96.77
WTI Oil US$/bbl	
September 2, 2010	$75.02
August 26, 2010	$ 73.36
2010-11 YTD	$ 77.38
Nymex Natural Gas C$/MMBtu*	
Near-month Contract	
September 3, 2010	$4.03
August 27, 2010	$ 3.93

*Estimate based on Nymex Futures Market Price

Canadian Economy

Economic recovery slows more than expected…

The Canadian economy expanded by 2.0% (annualized) in the 2nd quarter of 2010, following 5.8% growth in the 1st quarter. This was below the market consensus expectation of 2.5%, and well below Bank of Canada's forecast of 3.0%. Government spending and residential construction led the cool-down, while growth in consumer spending came down from a year high of 4.3% in the 1st quarter to 2.6% in the 2nd quarter. On a monthly basis, real GDP growth increased from 0.1% in May to 0.2% in June, and real GDP is now just 0.1% below the pre-recession high. This slight acceleration in growth suggests that the economy had some momentum heading into the 3rd quarter. However, the pace of growth is expected to remain slow in the coming quarters.

Current Account

Current account deficit widens in Q2 …

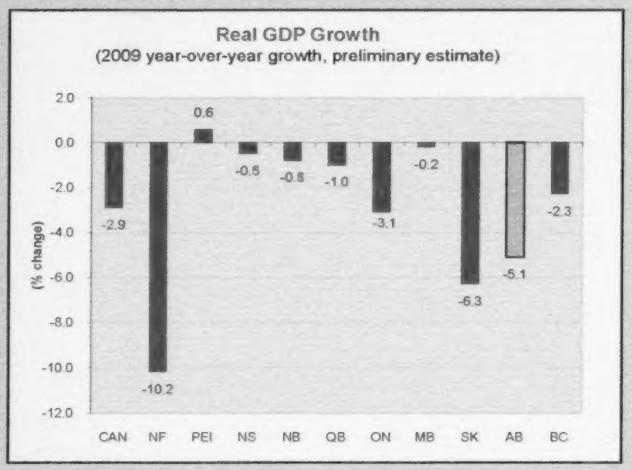
Canada's current account deficit with the world widened to $11.0 billion in the second quarter of 2010, led by declines in export growth while import growth remained strong. The current account has now been in deficit for the last seven quarters, following almost 10 years of surpluses.

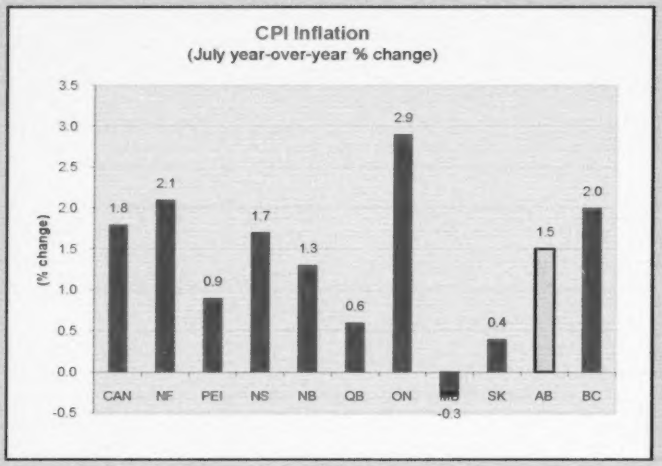
US Employment

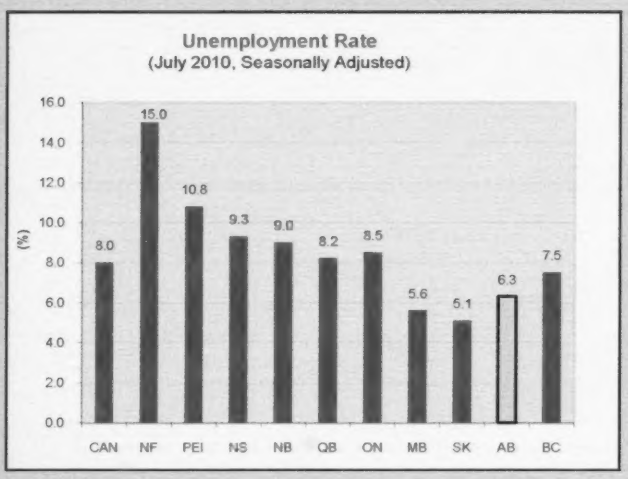
August job report better than expectations…

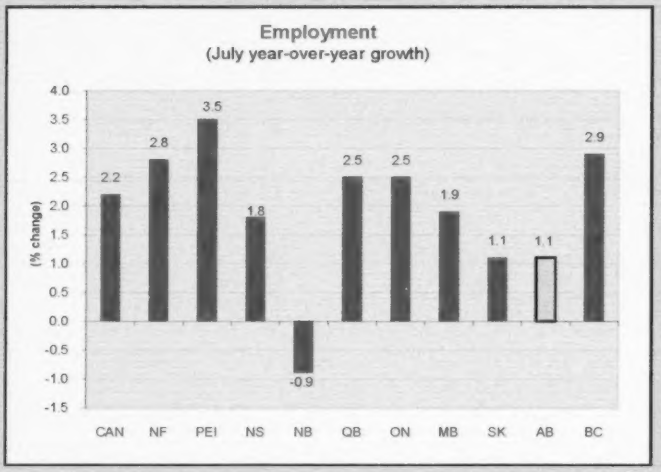
US payroll employment declined by 54,000 in August, as 114,000 temporary census positions ended. Private sector employment rose by 67,000, better than expectations. The US employment rate edged up 0.1% to 9.6% in August due to an increase in the labour force. While the August job report is encouraging, the US labour market has a long way to go, as only 723,000 of the 8.4 million jobs lost during the recession have yet been recovered.

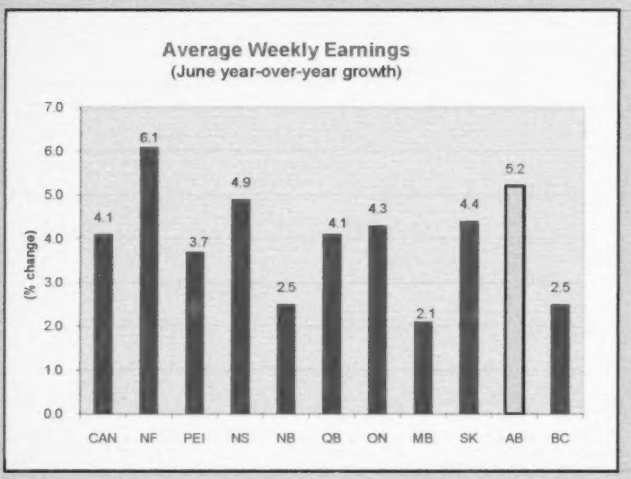
Current Economic Indicators by Province

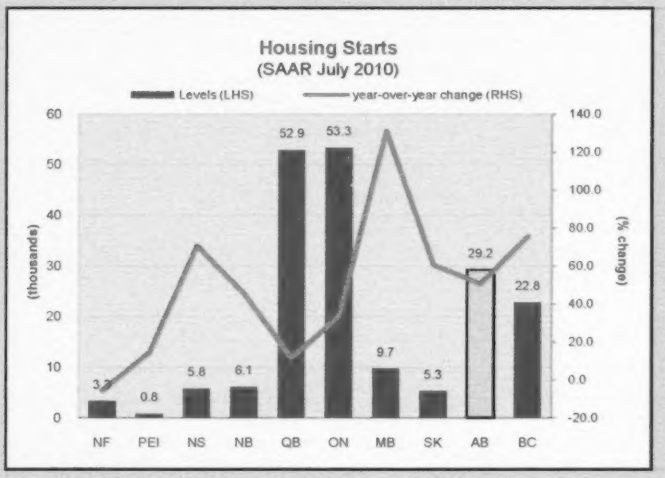












Current Economic Indicators

Population	2008	2009	2010YTD*	Mar	Apr	May	June	July	August
Population[1] (000's) (level)	3,596	3,688	3,707	--	3,725	--	--	--	--
% change	2.4	2.6	2.1	--	1.6	--	--	--	--
Net Interprovincial Migraton[1] (level)	15,317	23,006	-6,832	--	312	--	--	--	--
Net International Migration[1] (level)	20,039	20,074	1,477	--	6,758	--	--	--	--
Net Non-permanent Residents[1] (level)	18,536	19,058	-4,332	--	48	--	--	--	--
Labour Market									
Employment (000's)	2,013	1,988	1,987	1,969	1,979	1,994	2,000	2,009	--
% change	2.8	-1.3	-0.3	-1.0	-0.4	0.3	0.6	1.1	--
Unemployment Rate (%)	3.6	6.6	6.9	7.5	7.4	6.6	6.7	6.3	--
Participation Rate (%)	74.7	74.3	73.2	73.2	73.4	73.2	73.3	73.1	--
Average Weekly Earnings ($)	923.21	950.13	987.40	993.04	993.17	985.03	1,003.53	--	--
% change	6.0	2.9	3.7	3.0	6.1	4.4	5.2	--	--
Price Indices									
Consumer Price Index	3.1	-0.1	1.2	1.0	1.6	1.1	0.6	1.5	--
Excluding food and energy	2.1	1.4	1.0	0.8	1.4	0.9	0.7	0.8	--
Non-Res. Const. Cost Index[2] (quarterly)	13.2	-9.8	-2.3	-5.0	--	--	0.6	--	--
Farm Product Price Index	11.5	-11.3*	--	--	--	--	--	--	--
Crops	26.7	-22.9*	--	--	--	--	--	--	--
Livestock	2.1	-0.8*	--	--	--	--	--	--	--
Household Sector									
Housing Starts (SAAR, 000's)	29.2	20.0	29.0	34.4	29.5	29.7	27.0	29.2	--
% change	-39.6	-31.6	50.5	168.8	128.7	107.7	33.0	50.5	--
New Housing Price Index	0.7	-9.0	-0.2	-0.2	1.0	1.6	1.9	--	--
Edmonton	1.0	-11.2	-2.2	-2.4	-1.0	-0.1	0.6	--	--
Calgary	0.6	-6.7	1.9	2.0	2.9	3.1	3.2	--	--
MLS Average Resale Prices ($ 000's)	351.4	340.5	351.9	357.9	359.9	355.5	345.4	352.0	--
% change	-1.5	-3.1	6.2	10.3	7.7	7.1	4.0	3.1	--
Edmonton	330.8	319.1	324.0	341.4	332.1	317.9	303.9	322.1	--
% change	-2.0	-3.5	4.2	11.0	8.7	4.4	2.1	1.5	--
Calgary	401.1	384.3	400.0	398.2	401.3	411.5	403.8	404.0	--
% change	-2.9	-4.2	6.7	9.0	6.4	9.2	5.8	5.5	--
Retail Sales[3]	0.2	-8.3	4.9	11.2	5.3	2.1	3.8	--	--
New Motor Vehicle Sales	-7.3	-21.7	9.4	15.3	6.9	4.7	13.2	--	--
Consumer Bankruptcies	6,066	9,986	4291	776	744	672	778	--	--
% change	27.2	64.6	-15.2	-18.4	-11.2	-20.7	-23.8	--	--
Business Sector									
Rigs Drilling NEW!	236	128	188	219	62	56	118	199	222
% change	-2.1	-45.6	63.0	103.5	51.9	76.4	99.0	135.2	130.1
Goods Exports (customs based)	34.6	-37.3	20.0	18.5	27.8	50.1	17.7	--	--
Energy	42.5	-41.4	33.4	32.8	48.8	82.9	24.4	--	--
Agriculture	32.0	-10.2	-16.1	-9.6	-27.6	-5.0	-9.0	--	--
Total Farm Cash Receipts (quarterly)	17.2	-8.1	-17.3	-17.3	--	--	--	--	--
Manufacturing Shipments	7.0	-21.6	8.1	9.9	12.2	11.9	10.4	--	--
Wholesale Trade[4]	8.7	-14.1	-1.5	-2.1	6.3	5.5	7.7	--	--
Building Permits	-16.5	-14.2	25.0	41.4	28.1	-11.8	31.4	--	--
Residential	-31.5	-11.8	88.6	91.3	64.6	90.9	50.6	--	--
Non-residential	3.7	-16.3	-16.4	2.0	0.0	-57.7	14.4	--	--
Business Bankruptcies	447	405	200	48	37	35	23	--	--
% change	-0.4	-9.4	-2.4	54.8	54.2	2.9	-30.3	--	--

Government of Alberta
Finance and Enterprise

Alberta

* YTD – year-to-date represents the change since the beginning of the year compared to the same period in the previous year.

[1] Quarterly; annual numbers are presented on a census year basis (July 1 - June 30).

[2] Average of Calgary and Edmonton

[3] The Retail Sales series was revised on April 23, 2010 and is no longer comparable with numbers in previous Bulletins.

[4] The Wholesale Trade series was revised on April 21, 2010 and is no longer comparable with numbers in previous Bulletins.

Sources: All data is from Statistics Canada except Housing Starts (Canada Mortgage and Housing Corporation), MLS Average Resale Prices (Canadian Real Estate Association), Rigs Drilling (Canadian Association of Oilwell Drilling Contractors) and Bankruptcies (Office of the Superintendent of Bankruptcy Canada).